

Message Text

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ORIGIN EB-07

INFO OCT-01 AF-10 ARA-10 EA-07 EUR-12 NEA-10 ISO-00
IO-13 SIG-01 MMO-01 L-03 FRB-03 OMB-01 ITC-01
SP-02 USIA-06 AGRE-00 AID-05 CIAE-00 COME-00
INR-07 LAB-04 NSAE-00 OIC-02 EPG-02 SIL-01 STR-04
TRSE-00 CEA-01 /114 R

DRAFTED BY EB/ICD/TRP:MMWALL:BLO
APPROVED BY EB:JLKATZ
EB/ICD/TRP:TJO"DONNELL
EB/ORF/ICD:EAWENDT
EB/ICD/TRP:PPPILKAUSKAS

-----046466 140710Z /16

R 150110Z JUL 77
FM SECSTATE WASHDC
TO AMEMBASSY LONDON
INFO AMEMBASSY ABIDJAN
AMEMBASSY ADDIS AOABA
AMEMBASSY BOGOTA
AMEMBASSY BONN
AMEMBASSY BRASILIA
AMEMBASSY BRUSSELS
USMISSION GENEVA
AMEMBASSY GUATEMALA
AMEMBASSY JAKARTA
AMEMBASSY KINSHASA
AMEMBASSY MADRID
AMEMBASSY MANAGUA
AMEMBASSY MEXICO
AMEMBASSY NAIROBI
AMEMBASSY NEW DELHI
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY QUITO
AMCONSUL RIO DE JANEIRO
AMEMBASSY ROME
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AMEMBASSY SAN JOSE
AMEMBASSY SAN SALVADOR
AMEMBASSY SANTO DOMINGO
AMEMBASSY STOCKHOLM
AMEMBASSY TEGUCIGALPA
AMEMBASSY THE HAGUE
AMEMBASSY TOKYO

AMEMBASSY YAOUNDE

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USEEC

E.O. 11652: N/A

TAGS: EAGR, ETRD

SUBJECT: COFFEE: MEXICAN PROPOSAL FOR BUFFER STOCK

1. SUMMARY: CANTU PENA, PRESIDENT OF THE MEXICAN COFFEE INSTITUTE, MET WITH ASSISTANT SECRETARY KATZ ON JULY 11. CANTU RAISED HIS CONCERN OVER THE SHARP FLUCTUATIONS IN THE CURRENT COFFEE MARKET AND PROPOSED THAT A WORKING GROUP BE ESTABLISHED IN THE INTERNATIONAL COFFEE ORGANIZATION TO STUDY THE CREATION OF A BUFFER STOCK FOR COFFEE. END SUMMARY.

2. CANTU PENA OPENED BY REVIEWING THE DIFFICULTIES CAUSED PRODUCERS AND CONSUMERS BY RECENT RAPID SWINGS IN COFFEE PRICES. HE ALSO INQUIRED ABOUT OUR VIEWS ON HOW TO STRENGTHEN THE CURRENT COFFEE AGREEMENT TO PREVENT SUCH FLUCTUATIONS. MR. KATZ NOTED THAT NO ONE COULD BE HAPPY LIMITED OFFICIAL USE

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WITH THE SITUATION IN THE PRESENT COFFEE MARKET, BUT STRESSED THAT SOME PRODUCING COUNTRIES, WHILE NOT RESPONSIBLE FOR THE PRICE INCREASES, HAD NOT DONE ALL THEY COULD TO DAMPEN THEM. HE CITED REPORTS OF BRAZILIAN COFFEE PURCHASES AND INVOLVEMENT OF SOME PRODUCERS IN THE FUTURES MARKETS. AS FOR WHAT COULD BE DONE, HE NOTED THAT THE 1976 COFFEE AGREEMENT OPERATES ONLY THROUGH EXPORT QUOTAS WHEN SUPPLIES ARE IN SURPLUS. TO OPERATE WHEN SUPPLIES WERE TIGHT, IT WOULD HAVE TO BE RENEGOTIATED TO PROVIDE FOR INTERNATIONAL BUFFER STOCKS. A FULLY EFFECTIVE STOCK, HE REMARKED, COULD COST SEVERAL BILLION DOLLARS.

3. IN RESPONSE, MR. PENA SUGGESTED THAT TEN PERCENT OF YEARLY TRADE COULD BE RESERVED FOR SUCH A STOCK TO BEGIN WITH. MR. KATZ SAID THAT THIS WAS ONE WAY TO APPROACH THE ISSUE. HE EMPHASIZED THE U.S. FAVORED SMOOTHING PRICE VARIATIONS AROUND LONG TERM TRENDS BUT NOT INDEXATION OR ARBITRARY PRICING. HE ALSO STRESSED THAT SUCH A SCHEME WOULD REQUIRE CLEAR AGREEMENT ON OBJECTIVES AND A WILLINGNESS TO BEAR THE FINANCIAL COST, WHICH WOULD BE VERY HIGH.

4. CANTU PENA AGREED ON ALL POINTS. HE ADDED THAT PRO-

DUCERS WERE RECEPTIVE TO SUCH AN IDEA AND COULD BE PER-
SUADED TO ACCEPT THE COSTS OF HOLDING STOCKS ON THE
GROUNDS THAT IT WOULD BE LESS THAN THE COST OF CONSUMPTION
LOSSES FROM WILD PRICE SWINGS. CANTU SAID HE WOULD CONSULT
WITH OTHER IMPORTANT CONSUMING COUNTRIES IN EUROPE AND
PROPOSE AT THE NEXT MEETING OF THE EXECUTIVE BOARD THE
CREATION OF A WORKING GROUP TO STUDY HIS SCHEME.
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Message Attributes

Automatic Decaptioning: X
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Current Classification: UNCLASSIFIED
Concepts: COFFEE, MEETINGS
Control Number: n/a
Copy: SINGLE
Sent Date: 15-Jul-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Drafter: MMWALL:BLO
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Executive Order: N/A
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ISecure: 1
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TAGS: EAGR, ETRD, US, UK, (KATZ, JULIUS), (PENA, CANTU)
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